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SUBJECT: MEDIA REACTION: PENTAGON'S REPORT ON PRC
MILITARY POWER, RENMINBI REVALUED

¶11. Summary: The major Chinese-language dailies in Taiwan July 22 focused on the appreciation of China's Renminbi (RMB) and the Pentagon's annual report on the PRC's military power. The pro-independence "Liberty Times" (Taiwan's biggest daily), the centrist "China Times," and the pro-unification "United Daily News" all reported under banner headlines on their front pages that the RMB has for the first time in about a decade appreciated by two percent. These newspapers also spent their first few inside pages discussing the reasons behind China's move to revalue the RMB and its impact on Taiwan's currency and stock market. The pro-independence "Taiwan Daily," in addition to carrying the news story on the Chinese currency, also printed a banner headline on its front page that said "Bian: China's rise poses threats to world peace." The newspaper also spent its whole page three on news stories related to the Pentagon's report on China's military power, and the top news story on the page carried the following headline: "The United States will go to war to protect Taiwan? Rumsfeld: Of course we are capable of doing that." The "United Daily News," however, covered this wire service news story from a different angle with the headline: "[The United States] is willing to fight for Taiwan? Rumsfeld dodged [talking about] war but talked about peace." The sub-headline added: "Following the release of the report on PRC military power, U.S. Defense Secretary replies to journalists that 'we are capable of doing what we have indicated we have the capability of doing.'"

¶12. Several newspapers continued to editorialize on the Pentagon's report on the PRC's military power while only one news analysis discussed the appreciation of the RMB. A "Liberty Times" news analysis said the Pentagon's report has accidentally cut into the achievements KMT Chairman Lien Chan claimed he had made during his trip to China. An "United Daily News" editorial said the report revealed that the United States believes China's 'rise' is a fixed fact, but it is really up to Washington to tell whether it is a 'peaceful' rise or not. An editorial in the limited-circulation, conservative, pro-unification, English-language "China Post" said for Taiwan, an independence ideology is more dangerous than an arms shortage. An editorial of the limited-circulation, pro-independence, English-language "Taiwan News," however, said the DPP administration's call on the Taiwan Legislature to approve the special arms procurement bill is a responsible action to prevent a rapid and dangerous imbalance in the cross-Strait military equation. With regard to the appreciation of the RMB, a "United Daily News" news analysis said the U.S. reaction to this move by Beijing is worth further observation. End summary.

¶11. Pentagon's Report on PRC Military Power

A) "U.S. Report Accidentally Slashes the Achievements Lien Chan Made during His China Trip"

Journalist Tsou Jiing-wen noted in a news analysis of the pro-independence "Liberty Times" [circulation: 800,000] (7/22):

"Following the release of the U.S. Department of Defense's annual report on China's military power, the reactions of two sets of people [to the report] are especially notable: The first is that of [the Chinese authorities accused in the report] whose [reaction] was that of outrage and [who] turned to criticize Washington for intervening and sowing discord [in the Taiwan Strait]. The other are some Pan-Blue members in Taiwan, who claimed in reaction that the report is Washington's best packaging for its arms sales to Taiwan. . .

"The old [leadership] in the KMT that is to step down in August has [attempted to] create a scene . . That is, during the recent meeting between members of the International Democracy Union and U.S. President George W. Bush, [KMT Chairman] Lien Chan claimed that Bush had

expressed approval of his China trip. To Lien's surprise, Washington's reference in the Pentagon's report to the special arms procurement bill which is currently stuck in the Legislative Yuan was in reality a move to vote against the KMT's boycott action, which was done under Lien's leadership. ."

B) " `Rising' in China, But Whether It Is `Peaceful' Or Not Is up to the United States?"

The pro-unification "United Daily News" [circulation: 600,000] editorialized (7/22):

"The U.S. Department of Defense's `2005 Annual Report on the Military Power of the People's Republic of China' was finally released. In general, this report gives people the core impression that the United States believes China's `rise' is a fixed fact, but it is really up to the United States' evaluation to tell whether it is `peaceful' rising or not. .

"The PRC believes that to handle the Taiwan issue, it requires the heightened and international level of military attentiveness [of the People's Liberation Army] and that without such preparedness, China can not possibly maintain a deterrence force that is capable of `attacking [Taiwan] the moment it declares independence.' The U.S. side, however, believes that military preparedness by the PRC has posed an international threat. Washington thus reminded the Beijing authorities that China is now standing at a `strategic crossroad' in an attempt to turn [China's military buildup] into a matter that is beyond `Taiwan independence.' Thus, in terms of the `Taiwan independence' issue, Beijing [believes that it] can remain peaceful as long as it maintains [its principle of] `attacking [Taiwan] the moment it declares independence,' but for the United States, it also enjoys the liberty of which it could seize a pretext to make it [i.e. China's rise] not so peaceful.

"It is noteworthy that the `National Security Report' that President Chen Shui-bian is currently working on also focuses on China's `peaceful rise.' In the report, [Chen] also seeks to expound China's rise as a threat to the Asia-Pacific region and to the world, and [he even attempts] to imply that the rise of China will pose a threat to the United States' position as a sole superpower. Such a perception is obviously the one that is generally held by the Western hegemonies toward China, and it is also a perception that treats Taiwan as a foot soldier attendant going before these Western hegemonies. This perception may not really meet the true reality . of China's rise and it may even fail to meet the strategic views of Taiwan's multiple interests. ."

C) "Independence Ideology More Dangerous Than Arms Shortage"

The conservative, pro-unification, English-language "China Post" [circulation: 30,000] commented in an editorial (7/22):

". Observers in Taiwan indicated that one of the purposes of the Pentagon report is to lure Taiwan into purchasing more U.S.-made weapons and to force Taiwan's lawmakers to approve the Chen Shui-bian administration's plan to buy NT\$618 billion in military equipment from the U.S. .

"In fact, a fundamental reason that Taiwan faces a grave threat from the mainland is the ruling Democratic Progressive Party's independence ideology. . This tendency [to make Taiwan an independent state] is the main contributing factor to the tensions in the Taiwan Strait.

"As long as Taiwan is ruled by independence-minded politicians, the island will continue to face a serious military threat from across the strait, regardless of how much it spends on improving its military arsenal."

D) "Facing the Reality of PRC Armed Threat"

The pro-independence, English-language "Taiwan News" [circulation: 20,000] editorialized (7/22):

". We believe that the reality of the PRC's rising military clout and its declared willingness to even its nuclear capabilities to prevent what it defines as a `Taiwan independence event' cannot be ignored. The people of Taiwan cannot blithely assume that either Washington or Tokyo will risk - or will be allowed by their citizens to risk - their lives for the sake of defending Taiwan from PRC attack for any reason

whatsoever.

"Therefore, any Taiwan government must place the defense of our democracy and autonomy as the highest priority, exercise considerable caution in dealing with cross-strait relations and should refrain from unnecessarily provoking Beijing's Chinese Communist Party regime while working to strengthen Taiwan's political, economic, social, culture, diplomatic and defense fundamentals. .

"While we do not believe that more weapons offer absolute protection, we also believe that the DPP administration's call on the opposition-dominated Legislature to approve the draft special law for defensive military procurements is also a responsible action to prevent a rapid and dangerous imbalance in the cross-strait military equation. ."

12. Renminbi Revalued

"[Renminbi] Slightly Appreciates Two Percent in Response to the United States' Call"

Journalist Wang Li-chuan wrote in a news analysis of the pro-unification "United Daily News" [circulation: 600,000] (7/22):

". Since the beginning of 2005, the international community, especially the United States, has been demanding for the appreciation of renminbi. At last, Beijing was no longer able to withstand the pressure and let renminbi appreciate for a small percentage. This move can be accounted as giving 'a response' to the United States. It is also meant to express China's sincerity in improving the U.S.-China trade deficit. On the surface, China has to demonstrate that it is not succumbing to U.S. pressure. The reevaluation is taking the 'Chinese pace.' It is following the principle of 'proactiveness, controllability, and gradualism,' as instructed by Premier Wen Jiabao. The scale of the appreciation is quite small. Whether the United States will accept this or will continue to exert pressure is the focus for observation. ."

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